

DEPARTMENT OF COMMERCE			A.R.S. § 41-1501	
Jackie Vieh, Director			JLBC Analyst: David Thomason	
General Fund and Other Appropriated Funds	FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
FTE Positions	90.5	88.5	97.5 ^{1/}	97.5 ^{1/}
Personal Services	2,658,400	2,904,100	3,379,200	3,456,800
Employee Related Expenditures	501,800	576,100	640,800	653,500
Professional and Outside Services	88,800	106,400	166,000	166,000
Travel - In State	54,300	65,100	71,100	71,100
Travel - Out of State	42,700	55,700	39,100	39,100
Other Operating Expenditures	728,800	748,700	1,838,300	1,838,300
Equipment	197,500	90,500	51,500	51,500
Operating Subtotal	4,272,300	4,546,600	6,186,000	6,276,300
International Trade Offices	1,050,100	1,194,800	1,194,800	1,194,800
Business Assistance Center				
Minority and Women Owned Business	110,200	113,000	108,700	110,300
Small Business Advocate	105,800	111,600	106,400	108,700
Rural Community Assistance				
Economic Development Matching Funds	104,000	104,000	104,000	104,000
Main Street	130,000	130,000	130,000	130,000
REDI Matching Grants	45,000	45,000	45,000	45,000
Rural Tourism	99,500	105,400	104,650	106,150
National Marketing				
Advertising and Promotion	633,000	659,200	659,200	659,200
Indian Economic Development	67,700	70,600	0	0
Motion Picture Development	615,600	631,700	632,300	640,400
Senior Living Office	0	203,100	200,600	202,600
CEDC Office of Senior Living	197,600	201,900	196,800	198,300
Strategic Finance				
CEDC Commission	207,200	215,000	227,300	240,300
Greater Arizona Development Authority	3,000,000	8,000,000 ^{2/}	9,000,000 ^{2/}	0
Workforce Recruitment/Training	4,500,000	5,000,000	6,000,000	7,000,000
Mexico Projects				
National Law Center/Free Trade	250,000	250,000	250,000	150,000
AZ Sonora Study Implementation	100,000	100,000	0	0
Border Infrastructure Office	97,000	0	0	0
Other				
Clean Air Fund	0	1,000,000	1,000,000 ^{3/}	1,000,000 ^{3/}
High Altitude Sports Training Complex	50,000	50,000	0	0
Housing Development Fund	500,000	500,000	0	500,000
Oil Overcharge Administration	127,200	130,400	131,800	131,800
Special Needs Housing	70,700	76,000	76,250	77,450
Williams AFB Economic Development	350,000	350,000	350,000	350,000
Total Appropriations	16,682,900	23,788,300	26,703,800 ^{4/}	19,225,300 ^{4/}
Fund Summary				
General Fund	13,677,900	20,780,300	21,254,000	13,338,000
Bond Fund	88,100	102,700	114,700	116,800
CEDC Fund	1,871,400	1,833,000	3,007,400	2,915,300
Housing Development Fund	500,000	500,000	0	500,000
Housing Trust Fund	211,100	226,900	227,800	231,300
Lottery Fund	207,200	214,800	227,300	240,300
Oil Overcharge Administration Fund	127,200	130,600	131,800	131,800
Oil Overcharge Fund	0	0	1,740,800	1,751,800
Total Appropriations	16,682,900	23,788,300	26,703,800	19,225,300

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Agency Description — *The department conducts programs to encourage the creation, expansion and retention of businesses in Arizona. The department has 12 major activities: Administration, the Governor's Strategic Partnership for Economic Development, the Arizona Business Assistance Center, National Marketing, Community Assistance, Energy, Financial Services, Housing and Infrastructure Development, International Trade and Investment, Motion Picture Development, Sports Development and the Senior Living Office.*

Oil Overcharge — The approved FY 2000 amount includes \$1,740,800 from the Oil Overcharge Fund for program expenditures. Laws 1998, Chapter 241 converted the Oil Overcharge Fund from non-appropriated status beginning in FY 2000. Oil Overcharge Administration expenditures had previously been appropriated, but this will represent the first appropriation of program expenses.

Oil Overcharge programs are focused on increasing energy efficiency throughout the state. Program expenditures include technical assistance to local governments in converting their vehicles to alternative fuels, energy efficiency programs for state government buildings, energy conservation loans, community environmental partnership projects that will increase land and building energy efficiency, statewide conferences, assisting rural communities with energy use plans, and energy education programs.

The approved FY 2001 amount includes \$1,751,800 for program expenses.

Office of Sports Development — The approved FY 2000 amount reflects a \$(73,900) reduction in funding from the General Fund for the Office of Sports Development. This will eliminate all funding for the office. A FY 1999 Program Authorization Review found that there was no conclusive evidence that the Office of Sports Development was directly responsible for the growth of the sports industry in Arizona or that the office was indispensable to the industry's future.

Bond Fund — The approved FY 2000 amount includes a \$10,000 increase from the Housing Trust Fund to provide additional legal services for reviewing bond applications. Pursuant to A.R.S. § 35-726, the department is required to approve all corporate bond financing for the construction of multi-family apartments, sanitariums, clinics, medical hotels, retirement homes, nursing homes, skilled nursing facilities, and life-care facilities. Adding the additional \$10,000 for Professional and Outside Services will reduce the risk of potential litigation against the state. This amount is continued in FY 2001.

Equipment — The approved FY 2000 amount includes one-time funding of \$51,500 for lease payments on office equipment and the replacement of office computers. This amount is continued in FY 2001.

International Trade Offices — The approved amount represents a shift of \$1,179,400 in appropriations from the General Fund to the Commerce and Economic Development Commission Fund (CEDC). Pursuant to A.R.S. § 15-1505.07(A), the CEDC is to be used to establish business incentives and assistance procedures to retain, expand, or locate businesses and other qualified projects in the state. The International Trades program will continue to support international trade offices in Taiwan, Mexico, Europe, and Japan, which assist Arizona businesses in exporting their products. This amount is continued in FY 2001.

Business Assistance Center

Minority and Women Owned Business — The approved amounts provide funding for 2 FTE Positions from the CEDC Fund to promote economic development of minority and women-owned business enterprises.

Small Business Advocate — The approved amounts provide funding for 2 FTE Positions from the CEDC Fund to promote the creation and growth of small Arizona businesses. The office also acts as an advocate for small business interests before the Governor, Legislature, state agencies, and the community at large.

Rural Community Assistance

Economic Development Matching Funds — The approved amounts provide funding from the CEDC Fund to support local community job creation efforts. Grants up to \$10,000 are awarded on a competitive basis to communities with approved plans to design a long-range capital improvement strategy.

Main Street — The approved amounts provide funding for the historical preservation or refurbishment of downtown areas, or "main streets," in selected rural Arizona communities. The goal of the Main Street program, which is funded from the CEDC Fund, is to attract new businesses, jobs, and private investment to

1/ Includes 14 FTE Positions funded from Special Line Items in FY 2000 and FY 2001.

2/ Appropriated by Laws 1997, Chapter 208.

3/ Laws 1996, Chapter 6, 7th Special Session appropriated up to \$1,000,000 from the General Fund to the Clean Air Fund in each fiscal year during which Farm and Home Settlement deposits are made to the General Fund.

4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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rural towns by improving the physical appearance of their downtown areas.

REDI Matching Grants — The approved amounts provide funding from the CEDC Fund for the Rural Economic Development Initiative (REDI) program. The REDI program offers special community project grants, up to \$5,000 each, for technical assistance for the economic development programs of rural communities.

Rural Tourism — The approved amounts provide funding for 1 FTE Position from the General Fund to assist rural communities in support of their tourism development efforts. The program was created in 1993 by the Arizona Council for Enhancing Recreation and Tourism and is coordinated by the department in conjunction with state universities, other state agencies, and federal agencies.

National Marketing

Advertising and Promotion — The approved amounts provide funding from the CEDC Fund for advertising and promoting the department's various programs through magazine ads, direct mail, and special events, and with the production of materials, such as "Business Profiles," of the various communities within the state and the semi-annual newsletter "Spirit of Success."

Indian Economic Development — The approved amount includes shifting funding and 1 FTE Position for this line item to the Commission of Indian Affairs. The program, which promotes economic development of Arizona Native American reservations, was funded from the CEDC Fund. This CEDC funding will now be used to replace some of the department's General Fund operating costs. Thus, the FY 2000 amount includes a General Fund reduction of \$(68,300).

Motion Picture Development — The approved amounts provide funding for 6 FTE Positions from the General Fund to attract film and television projects to locations throughout Arizona. The Motion Picture Office creates extensive advertising and promotional campaigns for this purpose. It also develops and updates the Arizona Film Commission Guide, a resource created for industry representatives listing every film professional residing in Arizona (actors, film crews, production companies, etc.), as well as statewide filming locations.

Senior Living Office and CEDC Office of Senior Living — The approved amounts include funding for 2 FTE Positions from the General Fund and the CEDC Fund to attract persons aged 55 or older to move to Arizona, and to recruit businesses to the state which produce goods or services targeted to this demographic segment. The Senior Living Office works in conjunction with the department's national marketing program, the public marketing arm of GSPED.

Strategic Finance

CEDC Commission — The approved amounts provide funding from the Lottery Fund to cover the Professional and Outside Services and member expenses of the Commerce and Economic Development Commission, which consists of 35 public and private sector members serving at the request of the Governor. The purpose of the commission is to provide oversight for the short-term and long-term economic development initiatives in the statewide economic development strategic plan.

Greater Arizona Development Authority — The approved FY 2000 amount includes \$9,000,000 from the General Fund for the Greater Arizona Development Authority (GADA). GADA's authorizing legislation, Laws 1997, Chapter 208, appropriated \$20,000,000 from the General Fund to be spread out over 3 years: \$3,000,000 in FY 1998, \$8,000,000 in FY 1999, and \$9,000,000 in FY 2000. The legislation does not provide for an appropriation in FY 2001.

GADA provides loans to rural communities in order to meet their infrastructure needs and may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. The state funding only serves as collateral for the loans and is not directly loaned out.

Workforce Recruitment and Job Training — The approved FY 2000 amount includes an increase of \$1,000,000 for a total of \$6,000,000 from the General Fund for training grants to businesses for either training or retraining new or existing employees for specific job opportunities. Training is conducted through the community college system, a licensed private postsecondary educational institution, or a community college operated by tribal government, unless the employer requests another qualified training provider. At least 15% of the appropriation must go towards small businesses and another 15% must go towards businesses located in rural areas of the state. The approved FY 2001 amount includes an additional \$1,000,000 above FY 2000, or a total of \$7,000,000 from the General Fund, for this program.

Mexico Projects

National Law Center Law Center for Inter-American Free Trade — The approved FY 2000 amount provides \$250,000 from the CEDC Fund for studies by the National Law Center for Inter-American Free Trade. The National Law Center for Inter-American Free Trade is a research and educational center which seeks to identify and eliminate mechanical and structural obstacles to the free movement of goods and services among Mexico, Canada, and the United States. The approved amount will be used to match private monies for additional research projects, in addition to defraying center overhead and administrative costs. The approved FY 2001 amount provides \$150,000

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from the CEDC Fund with the expectation that the center will continue its efforts in supporting its operations without state assistance.

Arizona Sonora Study Implementation — The approved FY 2000 amount shifts the funding of this program from the department to the Office of the Governor. The Arizona Sonora Study Implementation is involved in implementing components of the Arizona Sonora Economic Development Study originally funded by Laws 1994, Chapter 6, 8th Special Session. The study examined ways of expanding trade between Arizona and Sonora, with emphasis on historical and current trade conditions, industrial clusters, tourism, mining, and agribusiness. Shifting the program to the Office of the Governor will assist the Governor's Arizona-Mexico Commission in implementing components of the study's recommendation in conjunction with the private sector, local boards, and communities.

Other

Clean Air Fund — The Arizona Clean Air Fund promotes the use of alternative fuels by supporting grants to individuals, small businesses, school districts, and cities for the purchase and installation of alternative fuel delivery systems. In FY 1999, the fund was used to convert the City of Phoenix bus fleet to alternative fuels.

Laws 1996, Chapter 6, 7th Special Session appropriated up to \$1,000,000 from the General Fund to the Clean Air Fund in each fiscal year during which Farm and Home Settlement deposits are made to the General Fund. At this time, no deposits have been made to the Clean Air Fund from the settlement. While settlement deposits are expected to exceed \$1,000,000 per year in both FY 2000 and FY 2001, the Clean Air Fund can receive no more than \$1,000,000 annually.

The FY 2000 amount includes a \$250,000 transfer from the Air Quality Fund to the Clean Air Fund. Pursuant to A.R.S. § 49-551C2, the sum of \$250,000 shall be transferred annually from the Air Quality Fund to the Arizona Clean Air Fund. In FY 2000, the fund is also estimated to receive \$5,500,000 from a fee that owners of vehicles 5-year-old or newer may pay in lieu of the vehicle emission inspections (A.R.S. § 49-543). In FY 2001, the fund is estimated to receive an additional \$5,500,000 from these in lieu fees.

In addition, Laws 1999, Chapter 6, 1st Special Session transfers on April 30, 2000 \$1,454,300 from the Arizona Clean Air Fund to ADEQ for the administration of the emissions control program. The transfer includes \$374,600 for the Emissions Inspection Fund and a transfer to ADEQ for emission inspection contract requirements.

The table below outlines the estimated revenues and expenditures from the fund in FY 2000 and FY 2001.

	<u>FY 2000</u>	<u>FY 2001</u>
<u>Revenues</u>		
ADEQ: Air Quality Fund	\$ 250,000	\$ 250,000
Farm and Home Settlement	1,000,000	1,000,000
In-Lieu Fees	<u>5,500,000</u>	<u>5,500,000</u>
Total	\$6,750,000	\$6,750,000
<u>Expenditures</u>		
Transfer to ADEQ	\$1,454,300	\$ 0
Grants	<u>5,295,700</u>	<u>6,750,000</u>
Total	\$6,750,000	\$6,750,000

High Altitude Sports Training Complex — The approved FY 2000 amount includes a \$(50,000) reduction for the High Altitude Sports Training Complex, which eliminates state funding for the program. Laws 1997, Chapter 394 appropriated \$50,000 in both FY 1998 and FY 1999 for supporting the complex in Flagstaff. This reduction is continued in FY 2001.

Housing Development Fund — Laws 1996, Chapter 355, and Laws 1998, Chapter 131, transferred \$500,000 in FY 1998 and FY 1999 from the Housing Trust Fund to the Housing Development Fund. While no funding was provided for the program in FY 2000, the \$500,000 from the Housing Trust Fund was restored in FY 2001. The Housing Development Fund provides incentives to housing development around state prisons to provide affordable housing for state prison employees. Approving the amount for FY 2001 will allow the Legislature to evaluate the success of the program.

Oil Overcharge Administration — The approved amount provide funding for 12 FTE Positions from the Oil Overcharge Fund to administer the oil overcharge grant and loan restitution programs. It is estimated that the Oil Overcharge Fund will expend \$1,750,000 on these programs in both FY 2000 and FY 2001. Monies in the Oil Overcharge Fund are non-appropriated and are gradually declining. The Oil Overcharge Fund will have approximately \$9,400,000 remaining at the end of FY 2001.

Special Needs Housing — The approved amounts include funding for 1 FTE Positions from the General Fund for the administration of federal housing grants, which serve homeless seriously mentally ill citizens. This program was previously administered by the Department of Health Services.

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William AFB Economic Development — The approved amounts include funding from the General Fund to strategically market the Williams Gateway Airport to the global aviation marketplace. Marketing strategies include direct mail campaigns, recruitment trips to aerospace companies, international aviation trade shows, print advertising, public relations, and special events. Through the Williams Gateway Airport Authority, the state works in cooperation with Mesa, Gilbert, Queen Creek, and the Gila River Indian Community.

statewide conferences, assisting rural communities, with energy use plans, and energy education programs.

Excess Balance Transfers: Housing Trust Fund — Laws 1999, Chapter 6, 1st Special Session transfers \$1,000,000 from the Housing Trust Fund to the General Fund in FY 1999. Monies in the fund are generated by the sale of unclaimed property in the state. The fund was created for local governments and non-profit agencies in order to help low and moderate-income families acquire and rehabilitate their own homes. The FY 1998 ending fund balance was \$2,945,000.

Clean Air Fund — Laws 1999, Chapter 6, 1st Special Session transfers on April 30, 2000 \$1,454,300 from the Arizona Clean Air Fund to ADEQ for the administration of the emissions control program. The transfer includes \$374,600 for the Emissions Inspection Fund and a transfer to ADEQ for emission inspection contract requirements.

Additional Legislation: Omnibus Budget Reconciliation: Public Finances (Chapter 3, 1st Special Session) — This legislation allows the Department of Commerce to secure federal housing monies for the seriously mentally ill in areas of the state where a public housing authority already exists. In areas where a public housing authority does not exist, the legislation allows the department to undertake all activities of the Housing Assistance Program. This statutory change only allows the department to secure new federal housing monies and does not impact monies that the state or localities are currently receiving.

Commerce Omnibus: Enterprise (Chapter 185) — Laws 1999, Chapter 185, Section 10.A repeals the provision from Laws 1998, Chapter 241, Section 19, which incorrectly appropriated certain federal housing funds in the Department of Commerce.

Commerce Omnibus: Enterprise (Chapter 185) — Laws 1999, Chapter 185, Section 10.B, repeals the provision from Laws 1998, Chapter 241, Section 20, which appropriated the Oil Overcharge Fund. Oil Overcharge Programs are focused on increasing energy efficiency throughout the state. Program expenditures include technical assistance to local governments in converting their vehicles to alternative fuels, energy conservation loans, community environmental partnership projects that will increase land and building energy efficiency,